

EXHIBIT E

May 8, 2023

Wallet Withdrawal Motion

In re BlockFi Inc., No. 22-19361 (MBK)

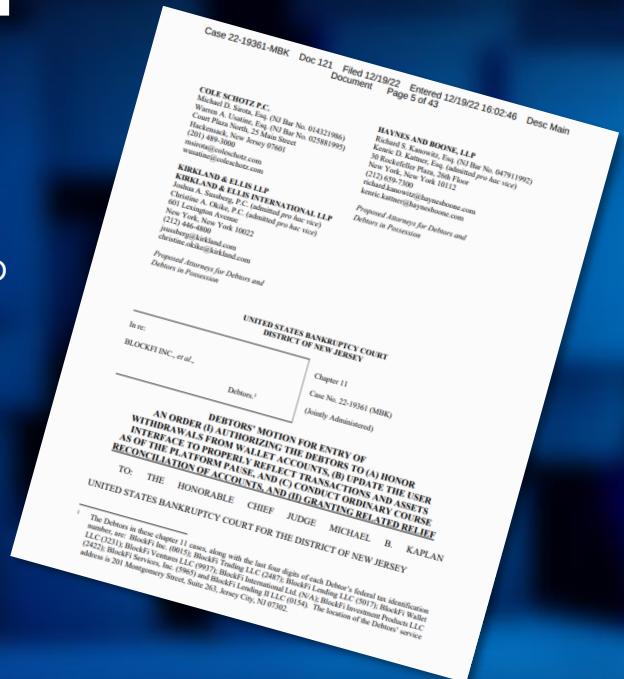
United States Bankruptcy Court for the District of New Jersey

Judge Michael B. Kaplan

The Wallet Withdrawal Motion

The Debtors seek to do right by their clients:

- ✓ **Honor client withdrawals** from Client Wallet Accounts as of the Platform Pause Time Stamp and **return the crypto in Omnibus Wallet Accounts to clients promptly**; and
- ✓ **Update the User Interface** to reflect proper accounting of digital assets as of the Platform Pause Time Stamp.



See Amended Declaration of Amit Cheela [Docket No. 822] (the "Cheela Declaration"), ¶ 80.

The Omnibus Wallet Accounts



BlockFi Wallet

Notional Value of Custodial
Omnibus Wallets as of the
Platform Pause Time Stamp

\$296,950,551.82⁽¹⁾

Cheela Decl. ¶ 81.

(1) Price conversion using digital asset prices as of 11:59 UTC on November 28, 2022.

The Wallet Withdrawal Objection



BlockFi Wallet

Notional Value of Custodial Omnibus Wallets as of the Platform Pause Time Stamp ⁽¹⁾	\$296,950,551.82 ⁽¹⁾
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The Troutman Ad Hoc Committee

Asks that **~\$375 million⁽²⁾ of Requested BIA to Wallet Transfers by 48,185 clients after the Platform Pause Time Stamp should also be entitled to recovery from the digital assets in the Custodial Omnibus Wallets**

Cheela Decl. ¶ 81.

See Troutman Ad Hoc Committee Response [Docket No. 834], ¶¶ 9, 23.

(1) Price conversion using digital asset prices as of 11:59 UTC on November 28, 2022.

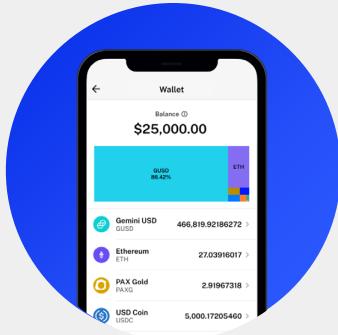
(2) Price conversion using digital asset prices as of 01:15 UTC on November 11, 2022.

BlockFi Wallet and BlockFi Interest Accounts

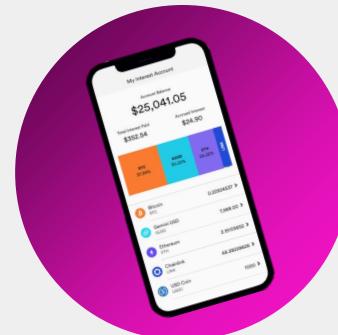


BlockFi provided two distinct products: BlockFi Wallet and BlockFi Interest Account.

BlockFi Wallet

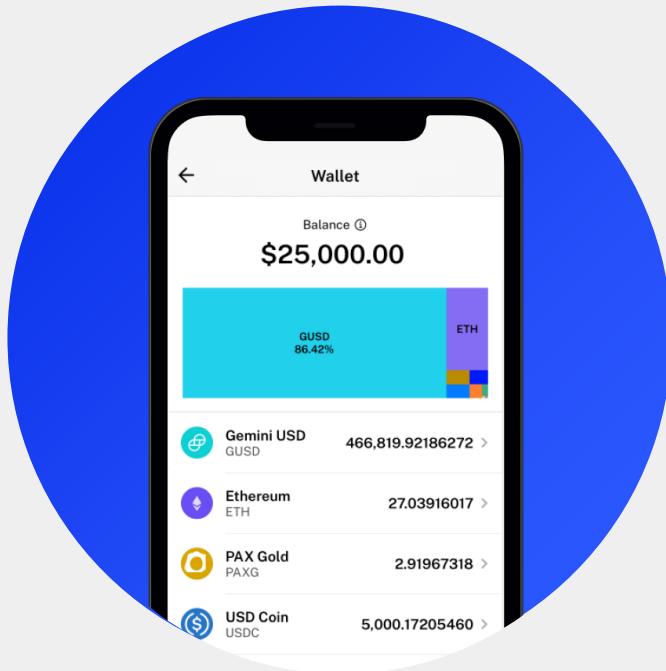


BlockFi Interest Account



See Cheela Decl. ¶ 19, 43.

See Stipulated Facts [Docket No. 842], ¶ 24-32, 38-46.



BlockFi Wallet

BlockFi Wallet is a custodial, non-interest bearing account, used by BlockFi clients to store digital assets on the BlockFi platform and facilitate trading on the BlockFi platform.

The digital assets in BlockFi Wallet are **not** rehypothecated for BlockFi's revenue-generating activities.

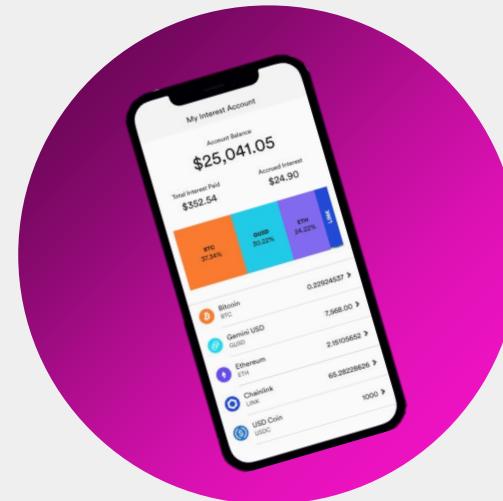
BlockFi maintained omnibus wallets (by coin) at BitGo and Fireblocks, which held the digital assets that clients had placed in their BlockFi Wallets – and BlockFi did **not own or rehypothecate** them.

BlockFi Interest Account

BlockFi Interest Account is an **interest-bearing** account, which provides yield to investors who store their digital assets on the BlockFi platform.

The digital assets in BIA may be **rehypothecated** (e.g., lent out to others) for BlockFi's revenue-generating activities, and thus may or may not be in BlockFi's possession at any given time.

This is all **clearly** disclosed as it is a key part of BlockFi's business model.





BlockFi Wallet

Custodial Wallets



BitGo Custodial Wallets



Wallet LLC Wallets



**International Vault
Wallets**



BlockFi Interest Account

Rehypothecateable Wallets⁽²⁾



BlockFi Inc. BIA Wallets

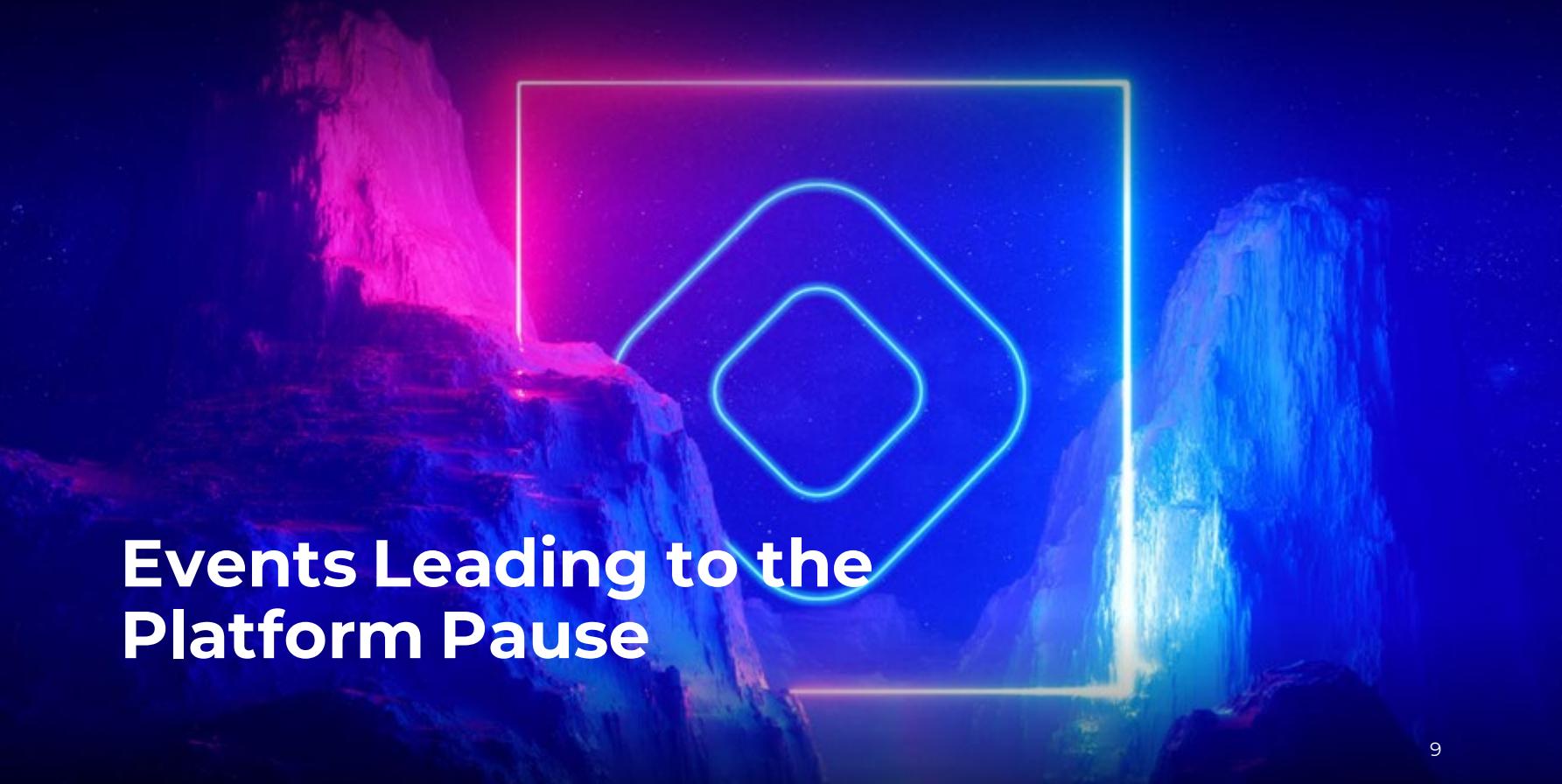


BlockFi International BIA Wallets⁽¹⁾

See Cheela Decl. ¶ 22-24, 26; see Stipulated Facts [Docket No. 842], ¶ 24-32, 38-44.

(1) BlockFi International Ltd. has a wallet subaccount with Fireblocks. Cheela Decl. ¶ 24.

(2) BlockFi Lending LLC also had Rehypothecateable Wallets for loan collateral and BlockFi Private Client.



Events Leading to the Platform Pause

November 2022

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

See generally Cheela Decl. ¶ 51-54.

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FTX Faces Media Onslaught

November 2022

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

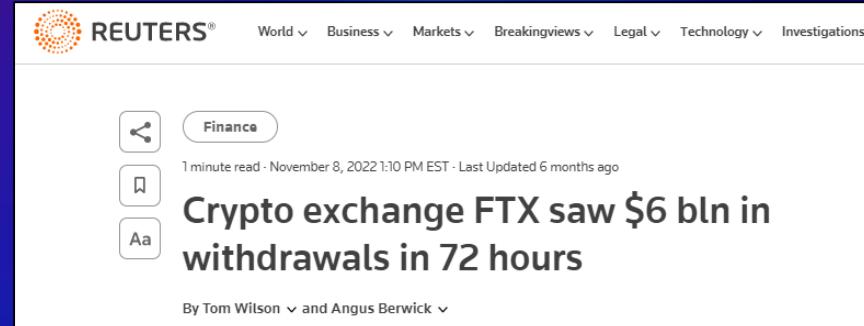


See generally Cheela Decl. ¶ 51-54.
https://twitter.com/cz_binance/status/1589283421704290306?lang=en

FTX Experiences Massive Withdrawals

November 2022

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			



The screenshot shows a news article from Reuters. The header includes the Reuters logo and navigation links for World, Business, Markets, Breakingviews, Legal, Technology, and Investigations. Below the header are three icons: a share icon, a 'Finance' category icon, and a text size icon. The article title is 'Crypto exchange FTX saw \$6 bln in withdrawals in 72 hours', written by Tom Wilson and Angus Berwick. The text indicates a '1 minute read' and was last updated 6 months ago. The article content discusses the significant financial impact of the event.

See generally Cheela Decl. ¶ 51-54.

Tom Wilson and Angus Berwick, *Crypto exchange FTX saw \$6 bln in withdrawals in 72 hours*, Reuters, November 8, 2022, 1:10 PM EST, <https://www.reuters.com/business/finance/crypto-exchange-ftx-saw-6-bln-withdrawals-72-hours-ceo-message-staff-2022-11-08/>

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FTX.COM Suspends Withdrawals

November 2022

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	31	1	2	3	4	5
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13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			



Business

FTX Exchange Halts All Crypto Withdrawals

Customer withdrawals that were previously processing but backlogged have been halted altogether, according to an announcement in the FTX Support Telegram group.

By Tracy Wang Nov 8, 2022 at 4:51 p.m. EST Updated Nov 9, 2022 at 12:51 p.m. EST



See Cheela Decl. ¶ 51-52.

Tracy Wang, *FTX Exchange Halts All Crypto Withdrawals*, CoinDesk, November 8, 2022 at 4:51 p.m. EST, <https://www.coindesk.com/business/2022/11/08/ftx-exchange-halts-all-crypto-withdrawals/>

Binance Offers to Rescue FTX

November 2022

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	31	1	2	3	4	5
6	7	8	9	10	11	12
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20	21	22	23	24	25	26
27	28	29	30			

The New York Times

Crypto World Is Rocked as World's Largest Exchange Rescues Rival

Binance, the world's largest cryptocurrency exchange, said it had reached a deal to buy FTX, amid fears the industry could enter another meltdown.

November 8, 2022

See generally Cheela Decl. ¶ 51-54.

David Yaffe-Bellany and Erin Griffith, *Crypto World Is Rocked as World's Largest Exchange Rescues Rival*, The New York Times, November 8, 2022, <https://www.nytimes.com/2022/11/08/technology/binance-ftx-deal-crypto.html>

Binance Backs Out of FTX Deal

November 2022

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
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See generally Cheela Decl. ¶ 51-54.
<https://twitter.com/binance/status/1590449161069268992>

November 10, 2022

November 2022

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

9:30 a.m. (prevailing Eastern Time)

BlockFi holds a special meeting of the Board of Directors and discusses, among other things, the possibility of implementing the Platform Pause.

November 10, 2022

November 2022

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

3:45 p.m. (prevailing Eastern Time)

BlockFi holds a special meeting of the Board of Directors and ***determines that it is in the best interest of the Company, its clients, and other creditors to implement the Platform Pause.***

BlockFi Pauses Platform Activity

8:15 p.m. (prevailing Eastern Time)

November 2022

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
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268 Update from BlockFi Announcement
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We are the res...
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to.

BlockFi @BlockFi · Nov 10

We are shocked and dismayed by the news regarding FTX and Alameda. We, like the rest of the world, found out about this situation through Twitter.

Given the lack of clarity on the status of FTX.com, FTX US and Alameda, we are not able to operate business as usual.

Our priority has been and will continue to be to protect our clients and their interests.

Until there is further clarity, we are limiting platform activity, including pausing client withdrawals as allowed under our Terms. We will share more specifics as soon as possible. We request that clients not deposit to BlockFi Wallet or Interest Accounts at this time.

We intend to communicate as frequently as possible going forward but anticipate that this will be less frequent than what our clients and other stakeholders are used to.

BlockFi

Cheela Decl. ¶ 53, Ex. J.
Stipulated Facts [Docket No. 842], ¶ 17, Ex. P and Ex. Q.

BlockFi General Terms of Service

By applying for a BlockFi Account or using the Online Platform, ***you acknowledge that you have read, understood and agree to comply with the Terms.***

Cheela Decl. ¶ 6, Ex. A (BlockFi General Terms of Service).
See Stipulated Facts [Docket No. 842], ¶ 1.

**BlockFi Wallet
Terms of Service**

**BlockFi BIA US
Terms of Service**

**BlockFi BIA Non-US
Terms of Service**

**BlockFi Private
Client Terms of
Service**

BlockFi and our third-party partners may experience cyber-attacks, **extreme market conditions, or other operational or technical difficulties which could result in the immediate halt of transfers and withdrawals of cryptocurrency either temporarily or permanently.**

Cheela Decl. ¶ 7, Ex. B (BlockFi Wallet Terms of Service, D.5), Ex. C (BlockFi BIA US Terms of Service, C.3.), Ex. D (BlockFi BIA Non-US Terms of Service, E.3), Ex. F (BPC Terms of Service, F.9).

See Stipulated Facts [Docket No. 842], ¶¶ 2-4, 6.

**BlockFi Wallet
Terms of Service**

**BlockFi BIA US
Terms of Service**

**BlockFi BIA Non-US
Terms of Service**

**BlockFi Trading
Terms of Service**

We reserve the right to limit access to your accounts, which can include temporarily or permanently removing your online access, restricting your account and/or closing your accounts **without prior notice** to you unless prior notice is required by law. We do not bear liability for such actions.

Cheela Decl. ¶ 8, Ex. B (BlockFi Wallet Terms of Service, § G.12), Ex. C (BlockFi BIA US Terms of Service, § G.11); (BlockFi BIA Non-US Terms of Service, § I.11); Ex. E (BlockFi Trading Terms of Service, § I.12).

See Stipulated Facts [Docket No. 842]], ¶¶ 2-5.

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BlockFi General Terms of Service

You acknowledge and agree that BlockFi, ***in its sole discretion***, may suspend or discontinue your, and refuse any and all current and future, access to or use of your BlockFi Account ***at any time without notice to you.***

BlockFi reserves the right to refuse service, terminate relationships, and **cancel orders or transactions in its discretion.**

Cheela Decl. ¶ 6, Ex. A (BlockFi General Terms of Service, Registration & Acceptable Use of the Online Platform).
See Stipulated Facts [Docket No. 842], ¶ 1.

Case 1:19-cr-00381-MBK Document 470-6 Filed 09/11/23 Entered 09/11/23 16:04:00 Page 64 of 64

Major News Outlets Report on BlockFi's Platform Pause

November 2022

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Bloomberg

Crypto Lender BlockFi Suspends Withdrawals in FTX Contagion

Bloomberg – November 10, 2022 at 8:33 P.M. ET

WSJ

Crypto Lender BlockFi Halts Withdrawals, Citing FTX's Problem

Wall Street Journal – November 10, 2022 at 11:55 P.M. ET

THE STRAITS TIMES

Crypto Lender BlockFi Suspends Withdrawals in FTX Contagion

The Straits Times – November 11, 2022 at 5:43 A.M. ET

Cheela Decl. ¶ 64; Hannah Miller, *Crypto Lender BlockFi Suspends Withdrawals in FTX Contagion*, BLOOMBERG (Nov. 10, 2022, 8:33 PM), <https://www.bloomberg.com/news/articles/2022-11-11/blockfi-pauses-withdrawals-says-can-no-longer-operate-as-usual?srnd=all&leadSource=uverify%20wall#xj4y7vzkg>; Elaine Yu, *Crypto Lender BlockFi Halts Withdrawals, Citing FTX's Problems*, WALL ST. J. (Nov. 10, 2022, 11:55 PM), <https://www.wsj.com/articles/crypto-lender-blockfi-halts-withdrawals-citing-ftxs-problems-11668142538>; See *Crypto Lender BlockFi Suspends Withdrawals in FTX Contagion*, STRAITS TIMES (Nov. 11, 2022, 5:43 AM), <https://www.straitstimes.com/business/crypto-lender-blockfi-suspends-withdrawals-in-ftx-contagion>.

The Result of the Platform Pause

The Platform Pause Time Stamp

November 10, 2022, 8:15 p.m.
(prevailing Eastern Time)

BIA to Wallet requests initiated on the User Interface PRIOR TO the Platform Pause Time Stamp		BIA to Wallet requests initiated on the User Interface AFTER the Platform Pause Time Stamp	
Wallet to BIA requests initiated on the User Interface PRIOR TO the Platform Pause Time Stamp		Wallet to BIA requests initiated on the User Interface AFTER the Platform Pause Time Stamp	
Off-platform withdrawal requests initiated on the User Interface PRIOR TO the Platform Pause Time Stamp		Off-platform withdrawal requests initiated on the User Interface AFTER the Platform Pause Time Stamp	
Trade requests initiated on the User Interface PRIOR TO the Platform Pause Time Stamp		Trade requests initiated on the User Interface AFTER the Platform Pause Time Stamp	
Posting of Loan Collateral PRIOR TO the Platform Pause Time Stamp		Posting of Loan Collateral AFTER the Platform Pause Time Stamp	

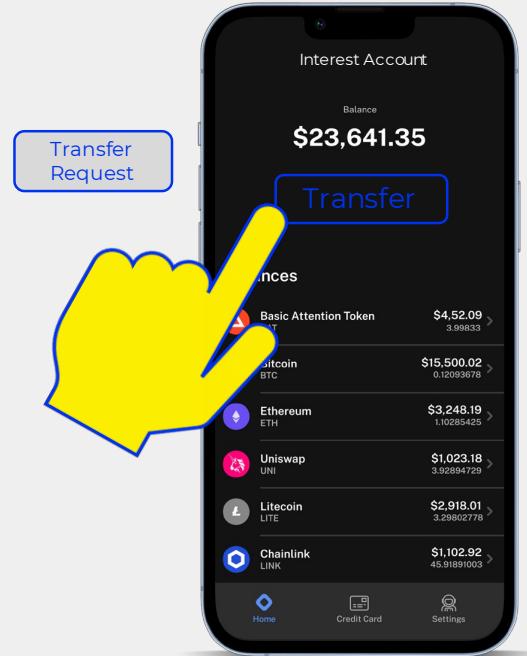
PRIOR TO the Platform Pause Time Stamp

AFTER the Platform Pause Time Stamp

The User Interface

After the implementation of the Platform Pause, it took the Debtors time to fully disable client-facing transfer request functionality on the User Interface.

The process to fully disable the User Interface is complex and requires numerous engineers and UI and UX designers to both troubleshoot and disable aspects of the User Interface.



Disabling the User Interface



Exhibit 10 to Motion for Summary Judgment

Page 27 of 64

BlockFi  @BlockFi · Nov 10

We are shocked and dismayed by the news regarding FTX and Alameda. We, like the rest of the world, found out about this situation through Twitter.

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We intend to communicate as frequently as possible going forward but anticipate that this will be less frequent than what our clients and other stakeholders are used to.

 BlockFi

November 10
8:15 p.m. (prevailing Eastern Time)

BlockFi implements Platform Pause.

November 10

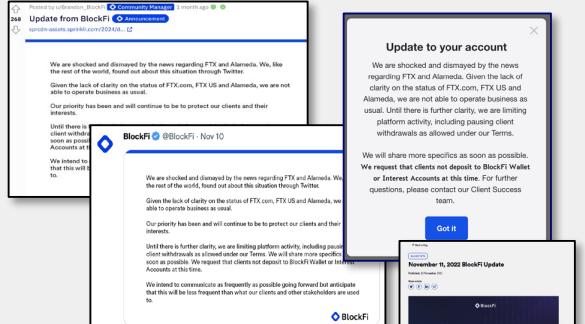
November 11

November 12-14

November 15 - 17

November 18

Disabling the User Interface



BlockFi's engineers investigate ways to fully disable the client-facing transfer request functionality

November 10

November 11

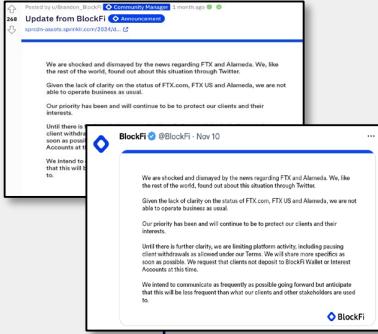
November 12-14

November 15 - 17

November 18

Disabling the User Interface

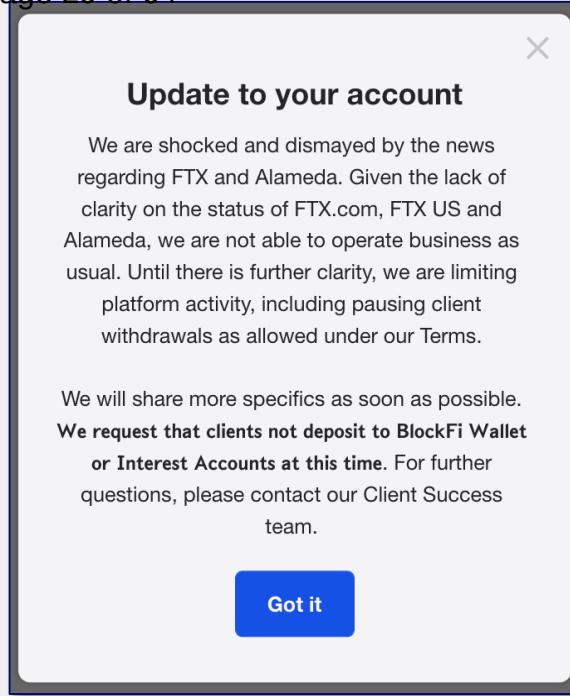
Page 29 of 64



November 11 12:14 p.m. (prevailing Eastern Time)

BlockFi posts an in-app, “dismissible” pop-up message, available to all of BlockFi’s clients using Android and iOS devices.

BlockFi clients needed to click the **“Got It”** button to enter into the app.



November 10

November 11

November 12-14

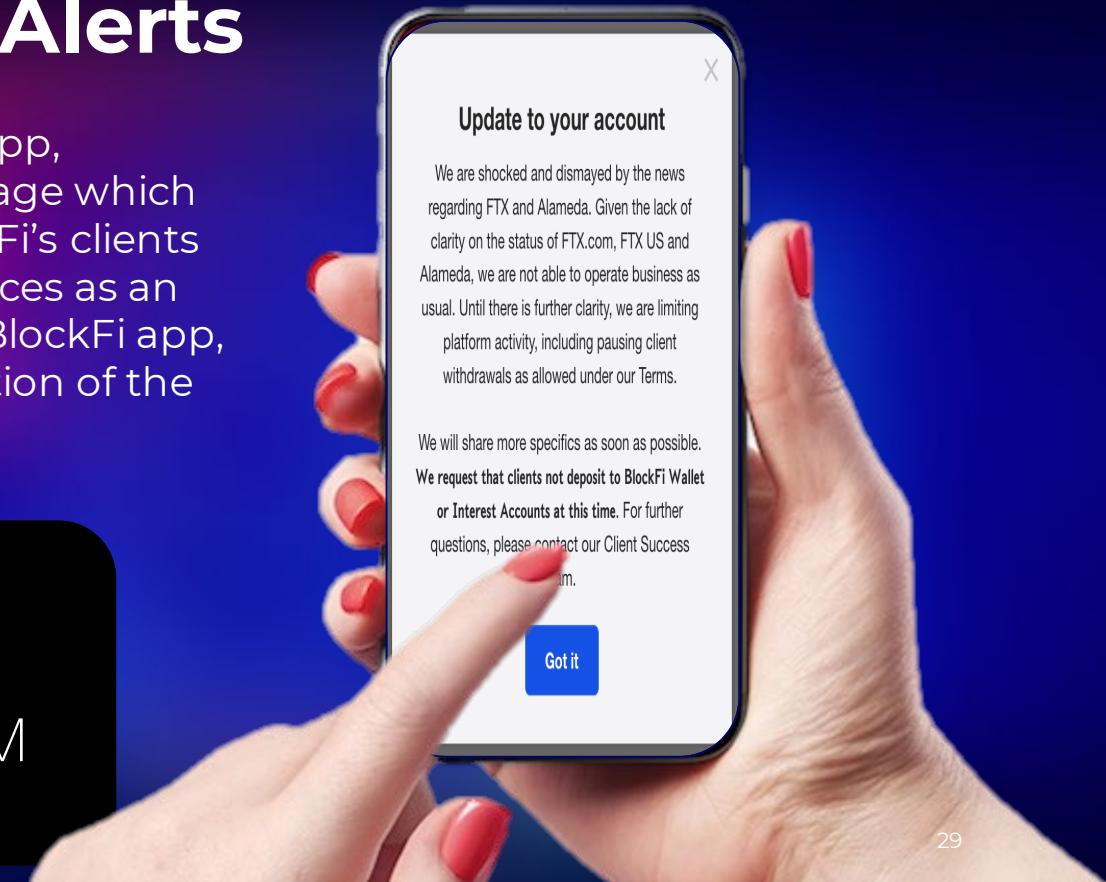
November 15 - 17

November 18

November 11 Alerts

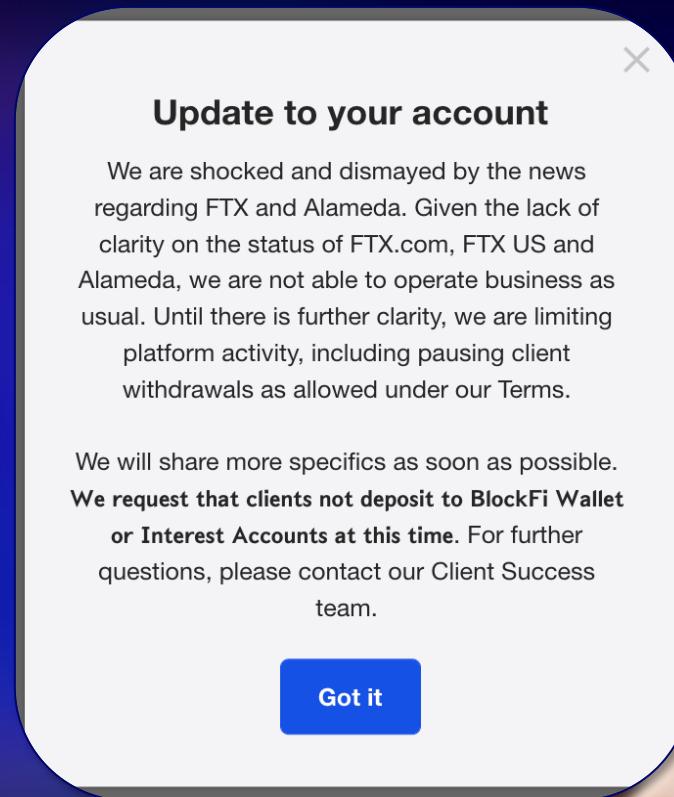
The Debtors posted an in-app, “dismissible,” pop-up message which was available to all of BlockFi’s clients using Android and iOS devices as an alert-style message in the BlockFi app, regarding the implementation of the Platform Pause.

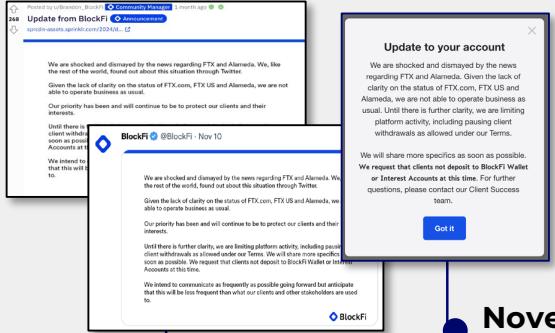
Nov. 11
12:14 PM



November 11 Alerts

Once the In-App Notice was active, a client could not access their BlockFi account without first affirmatively clicking a button on the User Interface to “dismiss” the message.





**November 11
12:17 p.m. (prevailing Eastern Time)**

BlockFi publishes an update on their website regarding the Platform Pause and transmits the message via email to all 650,000+ clients.

November 10

November 11

November 12-14

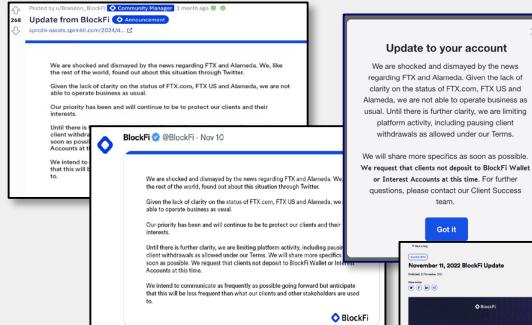
November 15 - 17

Cheela Decl. ¶ 67, Ex. Q; Cheela Decl. ¶ 68, Ex. R. Stipulated Facts ¶ 20-21, 81, Ex. S, Ex. T, Ex. Q.

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Ankura - 000339

Disabling the User Interface



Transfers are currently paused

November 15

6:00 – 6:12 p.m. (prevailing Eastern Time)

BlockFi introduces pop-up alert message on iOS and web based versions of the User Interface

November 10

November 11

November 12-14

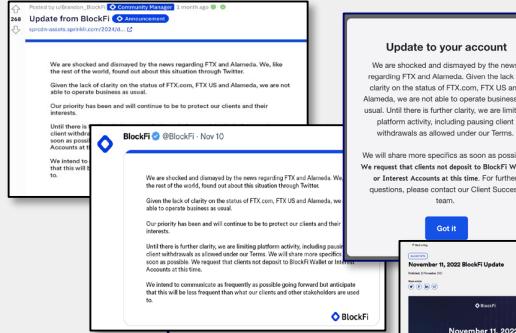
November 15 - 17

November 18

See Cheela Decl. ¶ 72.

Stipulated Facts [Docket No. 842], ¶¶ 82-83.

Disabling the User Interface



Transfers are currently paused



**November 17
9:29 a.m. (prevailing
Eastern Time)**

BlockFi introduces pop-up alert message on
Android based versions
of the User Interface

November 10

November 11

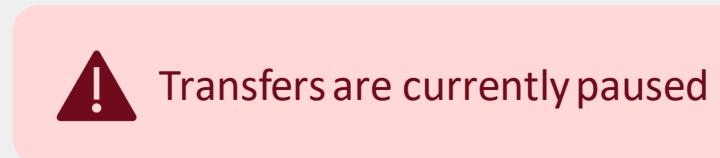
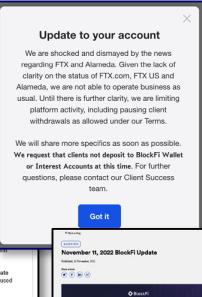
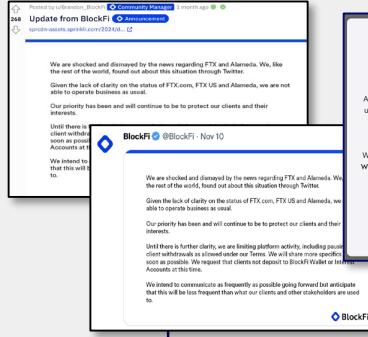
November 12-14

November 15 - 17

November 18

See Cheela Decl. ¶ 72.
Stipulated Facts [Docket No. 842], ¶ 84.

Disabling the User Interface



BlockFi's engineers investigate ways to fully disable the client-facing transfer request functionality

By November 18, 2022, client-facing transfer request functionality is fully disabled on all versions of the User Interface

November 10

November 11

November 12-14

November 15 - 17

November 18

The Wallet Withdrawal Objection



BlockFi Wallet

Notional Value of Custodial Omnibus Wallets as of the Platform Pause Time Stamp ⁽¹⁾	\$296,950,551.82 ⁽¹⁾
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The Troutman Ad Hoc Committee

Asks that **~\$375 million⁽²⁾ of Requested BIA to Wallet Transfers by 48,185 clients after the Platform Pause Time Stamp should also be entitled to recovery from the digital assets in the Custodial Omnibus Wallets**

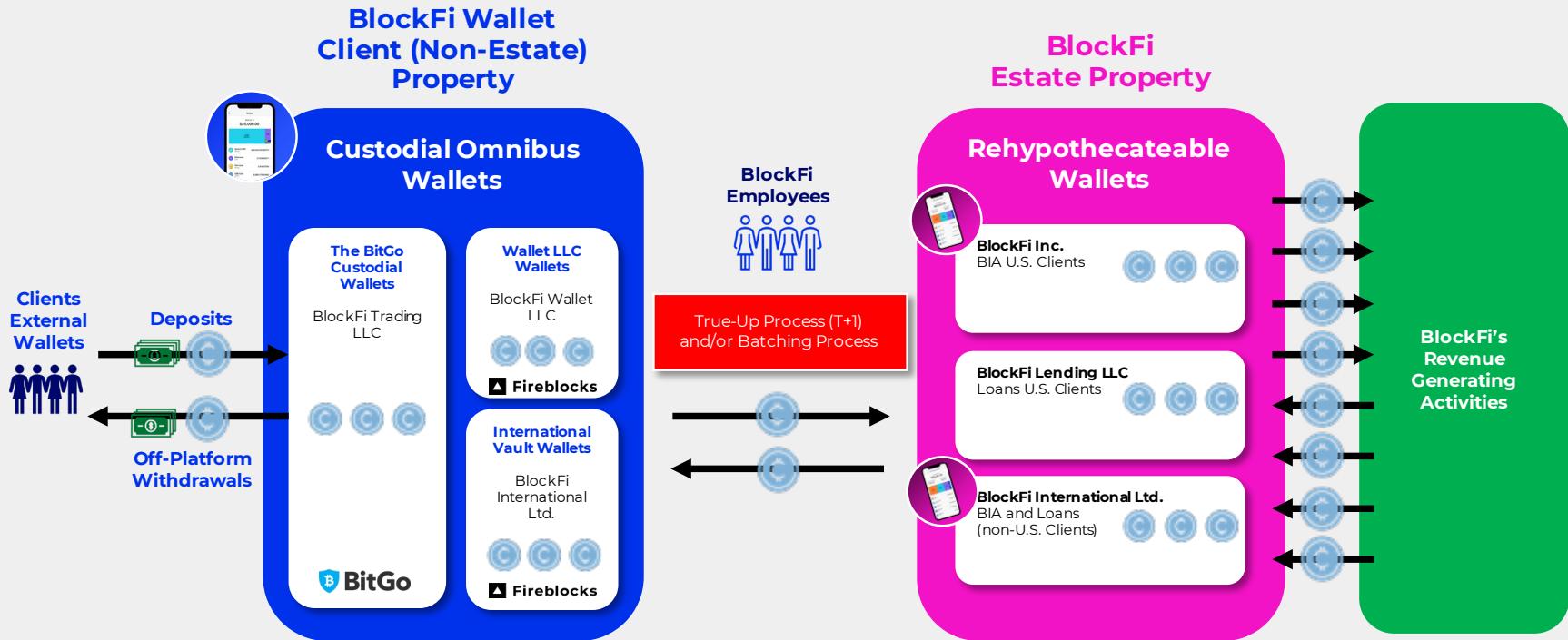
Cheela Decl. ¶ 81.

See Troutman Ad Hoc Committee Response [Docket No. 834], ¶¶ 9, 23.

(1) Price conversion using end-of-day digital asset prices at 11:59 UTC on November 28, 2022.

(2) Price conversion using digital asset prices as of 01:15 UTC November 11, 2022.

BlockFi's Business

Malone Declaration
Page 37 of 64

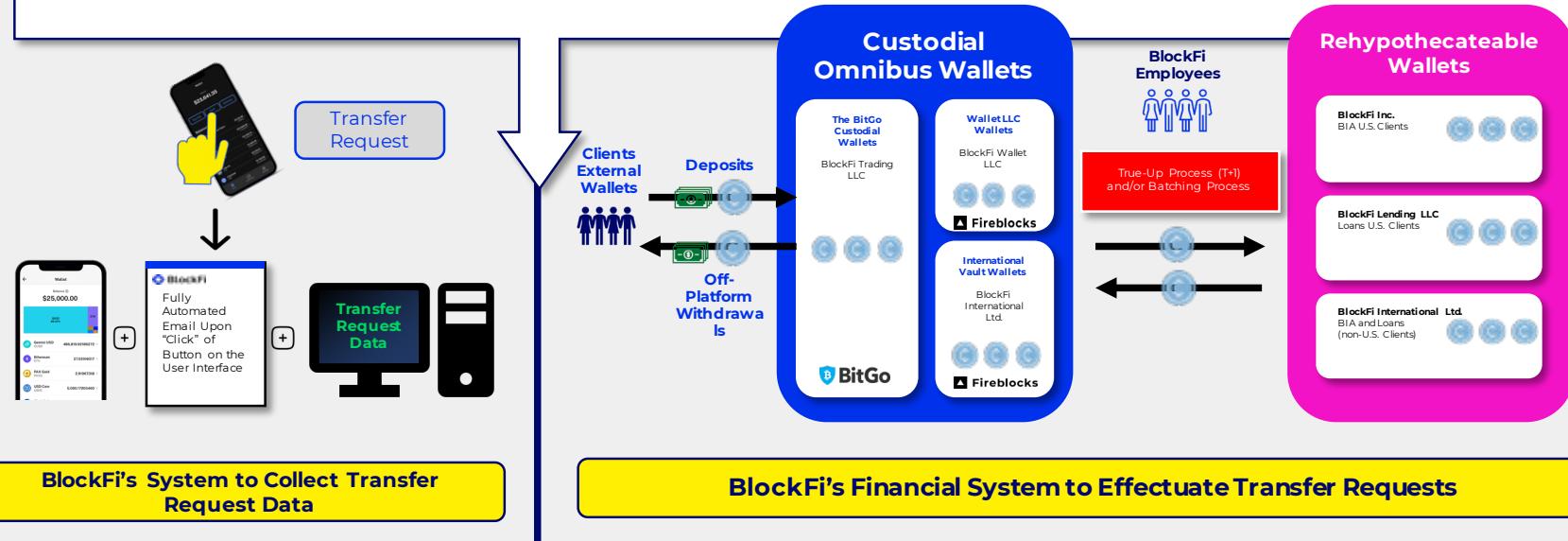
See Cheela Decl. ¶ 19-46.

See Stipulated Facts [Docket No. 842], ¶ 1 ¶ 38-45.

A “Click” Does Not Immediately Transfer Anything

The Debtors’ system for collecting transfer request data is **separate and distinct** from the Batching and True-Up Processes the Debtors utilize for effectuating client transfer requests.

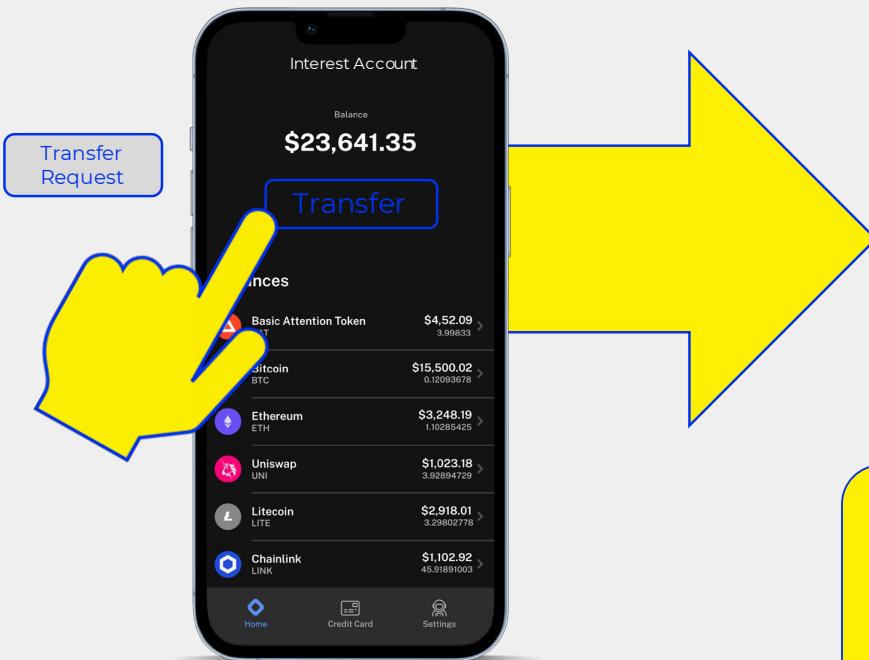
The mere act of clicking a button on the User Interface has no automatic impact on digital assets in Custodial Omnibus Wallets and Rehypothecateable Wallets.



Cheela Decl. ¶ 36.

See Stipulated Facts [Docket No. 842], ¶ 51.

The User Interface



When a BlockFi client initiates a transfer request by clicking the requisite buttons on the User Interface:

- 1 The trade, transfer, or withdrawal request is collected by the Company-Facing Interface to **subsequently** be effectuated via the manual True-Up and/or Batching Processes
- 2 The request is immediately displayed on the User Interface
- 3 The client receives a fully automated email

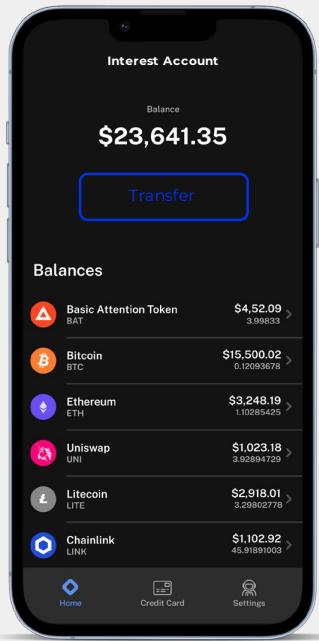
It is not until the Debtors' employees undertake the Batching and/or True-Up processes that client transfer requests are (or can be) actually effectuated

Illustrative Transfers Pre-Platform Pause



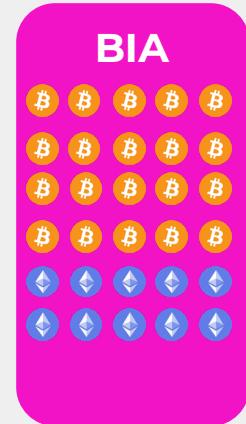
1

Client A initiates transfer request on User Interface to move 10 BTC from BIA to Wallet



Transfer Request

Coin Balances



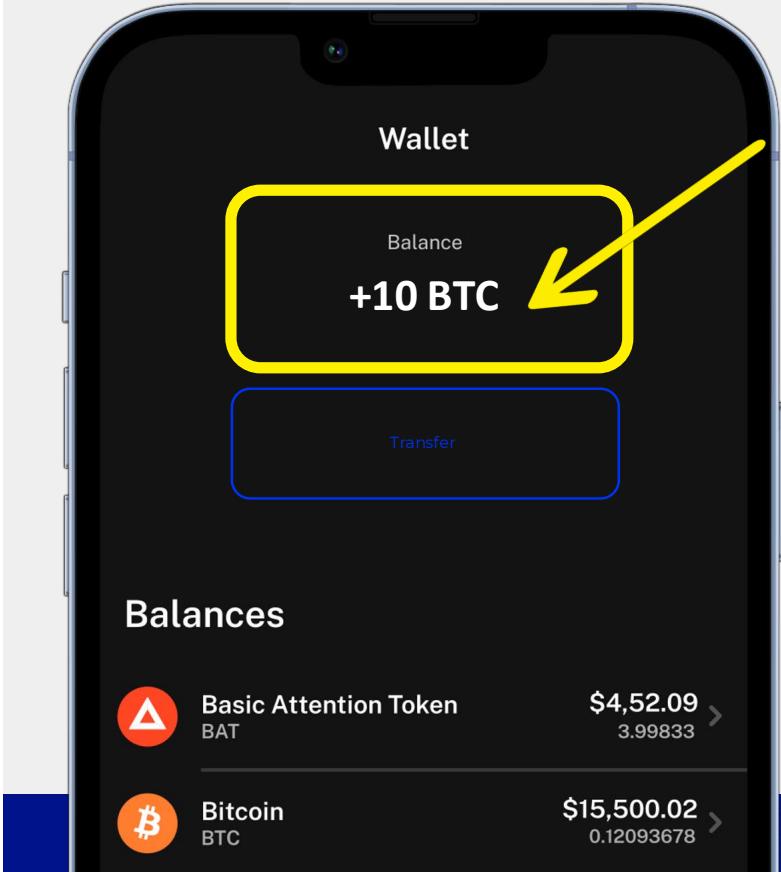
See Cheela Decl. ¶ 49.

See Stipulated Facts [Docket No. 842], ¶ 63.

39

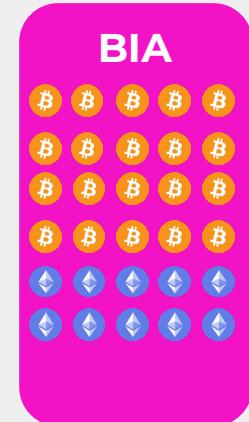
Ankura - 000347

Illustrative Transfers Pre-Platform Pause



2
The request is
immediately
displayed on the
User Interface

Coin Balances



See Cheela Decl. ¶ 49.
See Stipulated Facts [Docket No. 842], ¶ 63.

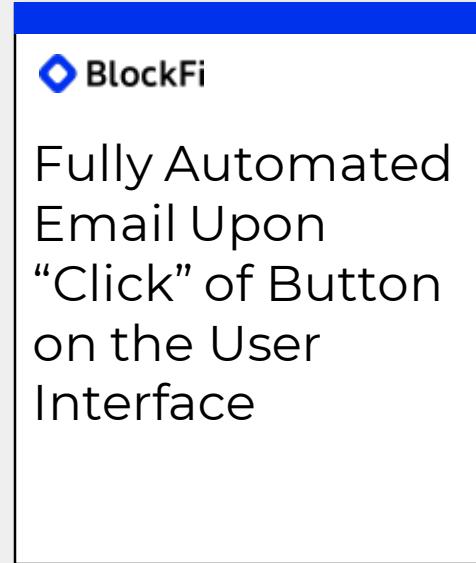
40

Ankura - 000348

Illustrative Transfers Pre-Platform Pause



3 The client receives a fully automated email



Coin Balances



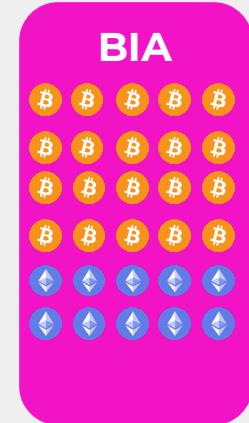
Illustrative Transfers Pre-Platform Pause



4

Company-Facing Interface collects the transfer request

Coin Balances



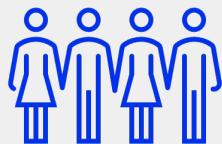
Illustrative Transfers Pre-Platform Pause



5

BlockFi Employees conduct the True-Up Process and/or the Batching Process with respect to transfer request data collected on the Company-Facing Interface

**BlockFi
Employees**



True-Up Process
(T+1 business day)

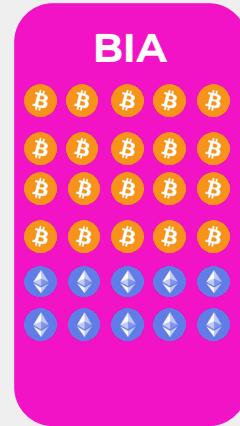
Batching Process
18 Hours for Crypto; ASAP for Fiat
(No Later than T+7)



Coin Balances



+10 BTC

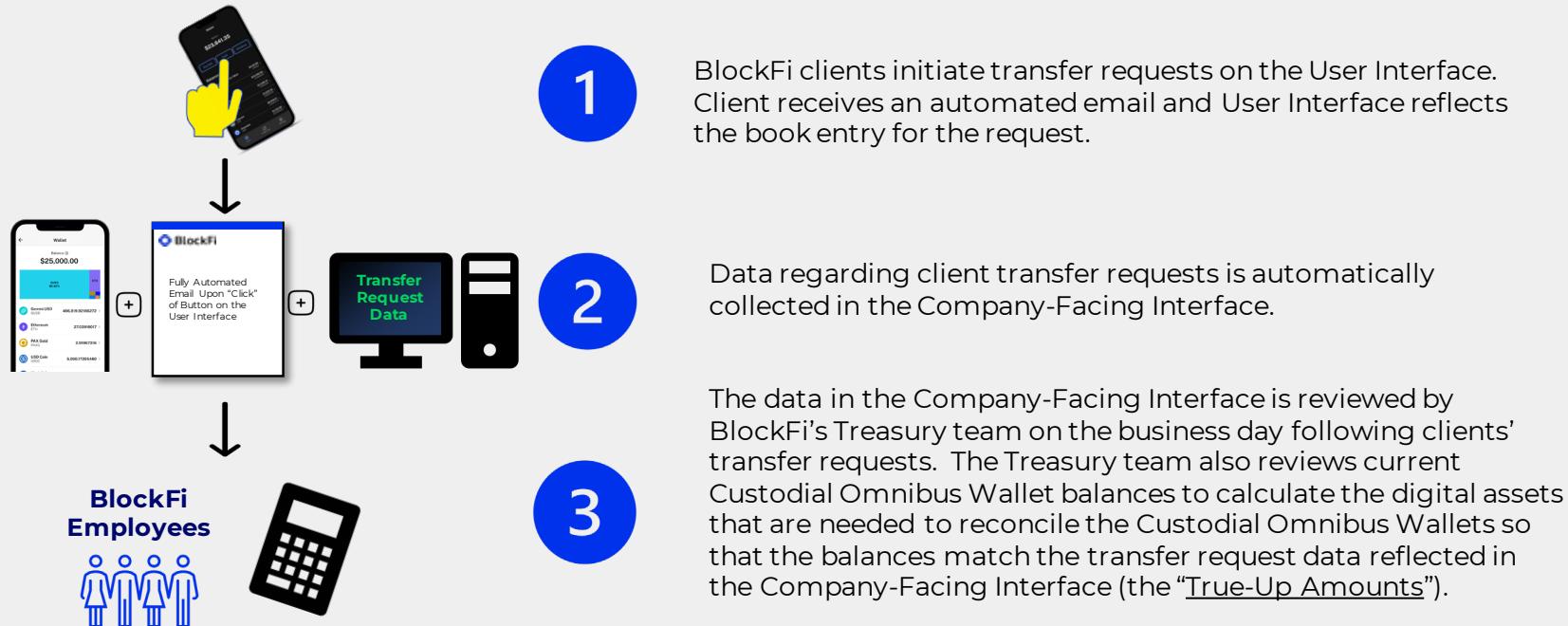


-10 BTC

The True-Up Process

Exhibit 12 - True Up Declaration Page 45 of 64

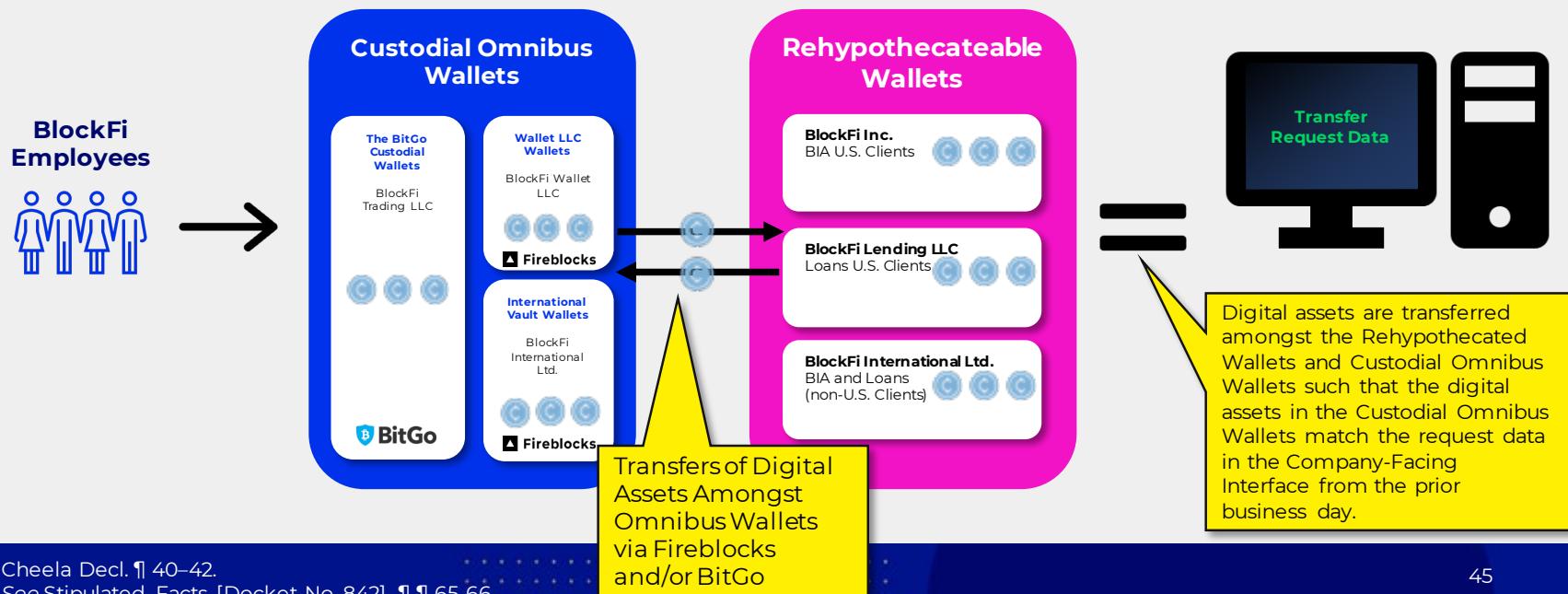
The True-Up Process is a partially manual, multi-step process undertaken by the Debtors' Treasury and Financial Operations Teams to effectuate client transfer request data collected by the Company-Facing Interface. The True-Up process occurred once each business day, generally between 9:00 a.m. and 11:00 a.m. (prevailing Eastern time).



The True-Up Process (Cont'd)

4

Once each business day, by reference to the prior day's closing balances in Custodial Omnibus Wallets, members of BlockFi's Treasury team effectuate transfers amongst the their Custodial Omnibus Wallets and Rehypothecated Wallets so that the balances in the Custodial Omnibus Wallets and Rehypothecated Wallets match the balances reflected on the User Interface, with a 1-5% buffer in the Custodial Omnibus Wallets.





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Exhibit E to Malone Declaration Page 47 of 64

BlockFi BIA US and Non-US Terms of Service

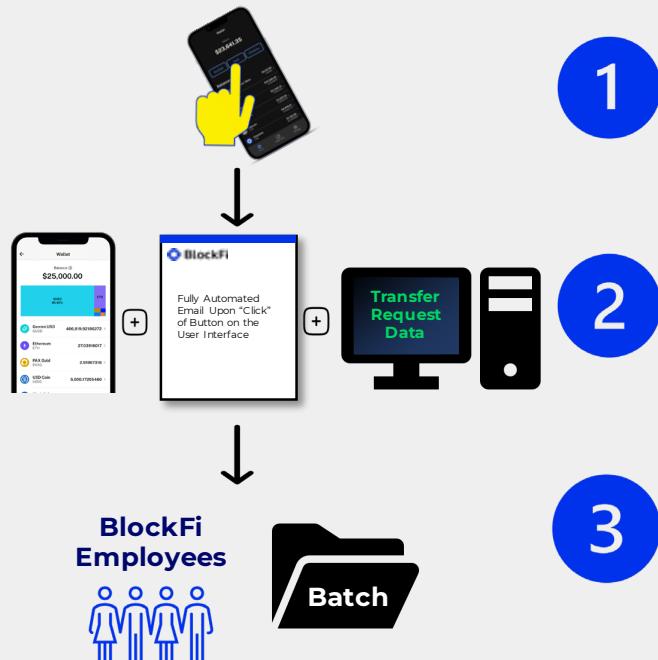
Withdrawals

1. You may make a request for complete or partial withdrawal of principal from your Crypto Interest Account at any time. Any withdrawal of principal will be transferred instantly to your BlockFi Wallet and any withdrawal from your BlockFi Wallet will be subject to BlockFi Wallet Terms. Any interest that has accrued but not been credited to your account on a month-end basis is not eligible for withdrawal until the fifth business day of the following month. If you are an existing U.S. client, please note that any assets you withdraw from your Crypto Interest Account on or after February 14, 2022 will not be eligible for transferring back into your Crypto Interest Account.
2. Withdrawal limits based on frequency and amount may apply from time-to-time and will be described in your Crypto Interest Account interface and on our Website at <https://blockfi.com/fees>.
3. BlockFi and our third party partners may experience cyber-attacks, extreme market conditions, or other operational or technical difficulties which could result in the immediate halt of transfers and withdrawals of cryptocurrency either temporarily or permanently. BlockFi is not and will not be responsible or liable for any loss or damage of any sort incurred by you as a result of such cyber-attacks, operational or technical difficulties or suspensions of transfers or withdrawals.

The Batching Process

EXHIBIT C - True Up Declaration Page 48 of 64

The True-Up Process is a partially manual, multi-step process undertaken by the Debtors' Financial Operations team to effectuate requests from BIA to Wallet and then ultimately off-platform to clients' external wallets.



The Batching Process (Con't)

BlockFi Fraud and Security



4

The Debtors' Fraud and Security team would run automated fraud checks. The automated fraud check system would identify and flag certain off-platform withdrawal requests, which the Debtors' Fraud and Security team would manually review. Depending on the facts of the particular situation, the process described in steps 3 and 4 can either be completed reasonably quickly, or can take numerous days to complete

BlockFi Financial Operations



5

Each business day, the Debtors' Financial Operations team would review the withdrawal request data that had been reviewed by the Debtors' Fraud and Security team and had cleared fraud checks and hold time;

BlockFi Financial Operations



6

The Debtors' Financial Operations team would again "batch" such withdrawal requests (i.e., organize the requests for processing) according to the time of request and whether such withdrawal request was for digital currency, ACH, or wire (requests for digital withdrawals always had an 18-hour fraud-check holds, request for cash/ACH withdrawals were manual);

The Batching Process (Con't)



7

Two times each business day, the Debtors' Financial Operations team would upload and **submit the valid withdrawal request data to BitGo** (in the instance of on-chain digital currency withdrawal requests), and Silvergate (in the instance of ACH or wire fiat withdrawal requests).

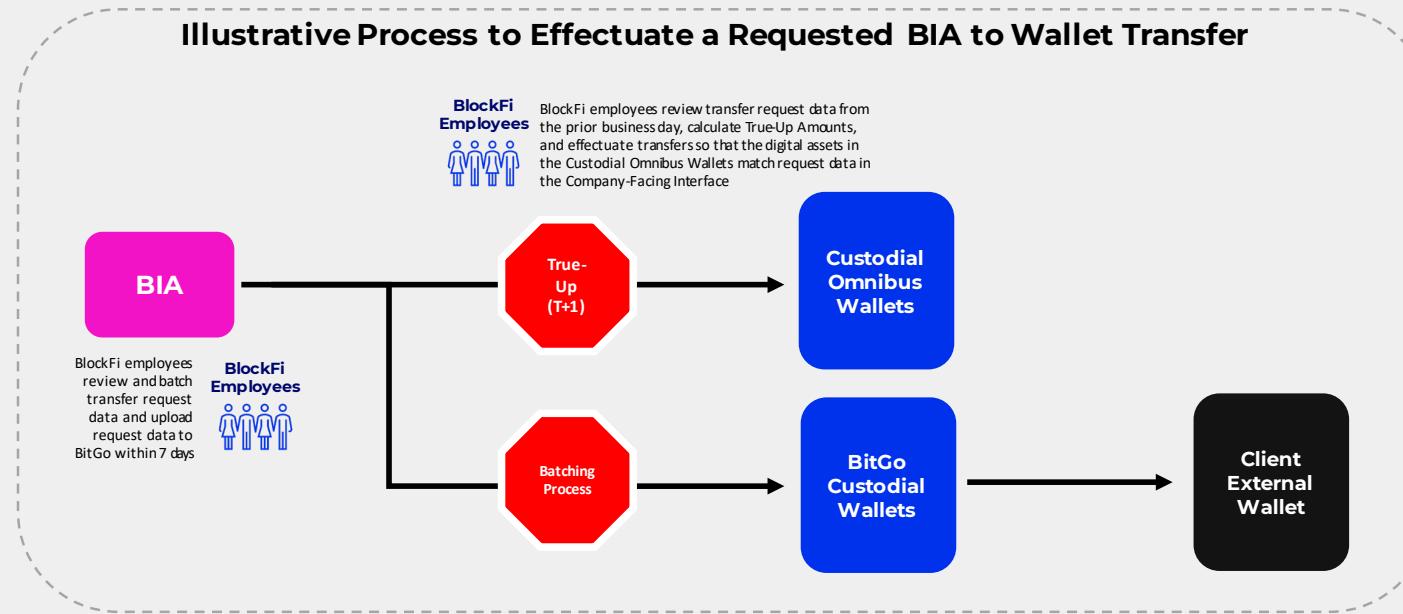
8

If there were sufficient digital assets in the BitGo Custodial Wallets to effectuate the transfer and withdrawal requests, BitGo would then effectuate such requests by facilitating the movement of digital assets from the BitGo Custodial Wallet to the applicable clients external wallets. Depending on the circumstances, this could happen on the same day as the transfer request. **Otherwise, the Financial Operations team could move additional funds to the BitGo Custodial Wallets in order to effectuate BIA to Client Wallet Account transfer request and a Wallet to external wallet withdrawal requests.**

The True-Up and Batching Processes



Digital assets only move from Rehypothecateable Wallets to Custodial Omnibus Wallets and from the BitGo Custodial Wallet to an external wallet via manual intervention by the Debtors' employees through the True-Up Process and/or Batching Process (whichever comes sooner).

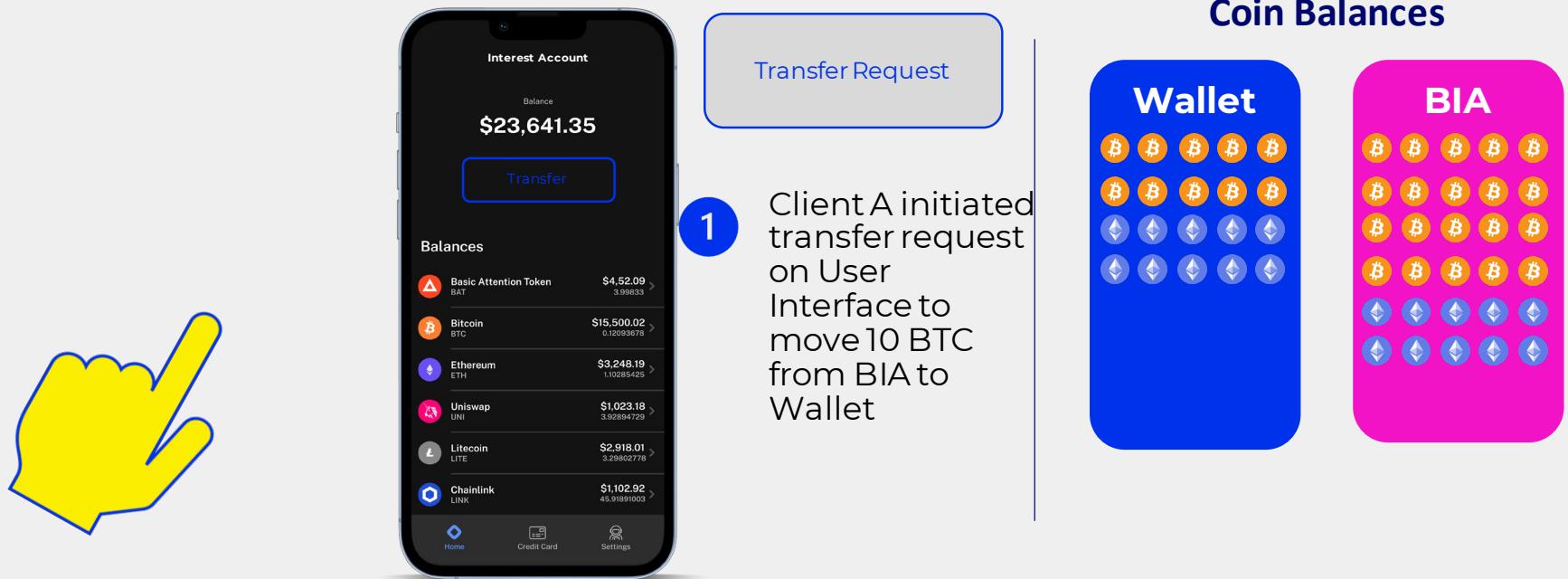


See Cheela Decl. ¶ 37-42.

See generally Stipulated Facts ¶ 51, 53, 56, 57, 58, 62, 64, 65.

The Attempted Post-Platform Pause Transactions

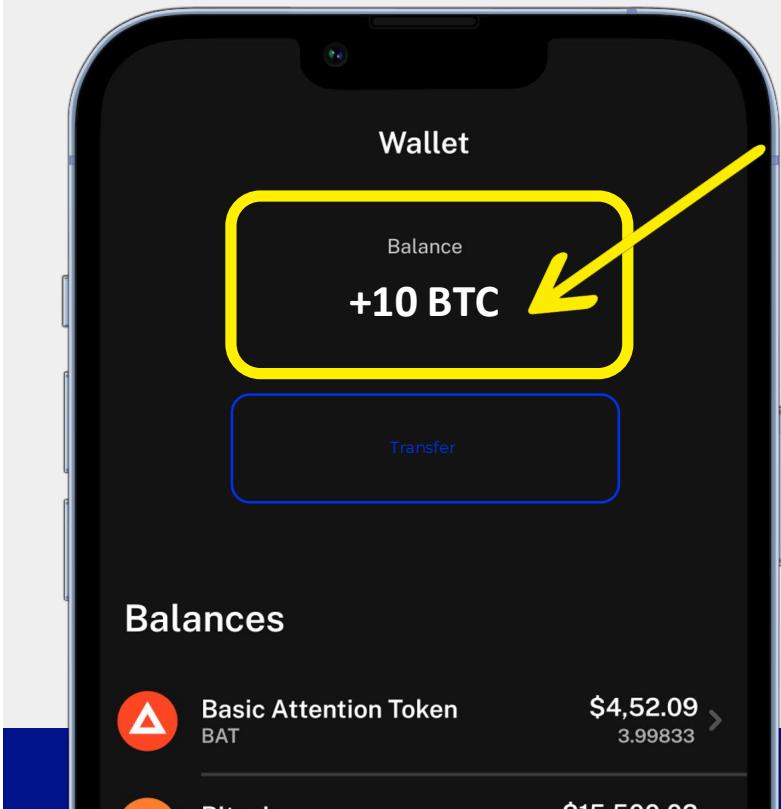
During the UI Delay Period, a number of clients continued to attempt to enter requests for transactions on the User Interface with respect to the digital assets in their Client Wallet Accounts



See Cheela Decl. ¶ 49.

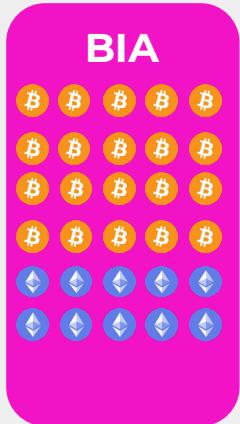
See Stipulated Facts [Docket No. 842], ¶ 88.

The Attempted Post-Platform Pause Transactions



2 The request was immediately displayed on the User Interface

Coin Balances

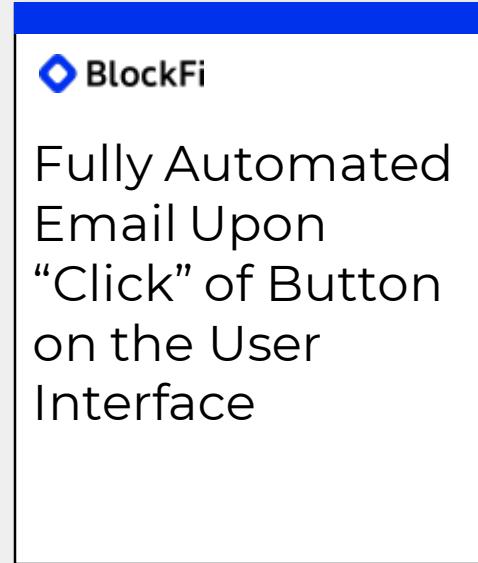


See Cheela Decl. ¶ 49.
See Stipulated Facts [Docket No. 842], ¶ 63, 88.

52

The Attempted Post-Platform Pause Transactions

3 The client received a fully automated email



Coin Balances



See Cheela Decl. ¶ 49.

See Stipulated Facts [Docket No. 842], ¶ 88.

Illustrative Transfers Pre-Platform Pause



4

Company-Facing Interface collected the transfer request

Coin Balances



See Cheela Decl. ¶ 49.

See Stipulated Facts [Docket No. 842], ¶ 88.

The Attempted Post-Platform Pause Transactions

5

BlockFi Employees did **not** conduct the Batching and/or True-Up Process with respect to the transfer requests initiated on the User Interface **after** the Platform Pause Time Stamp.



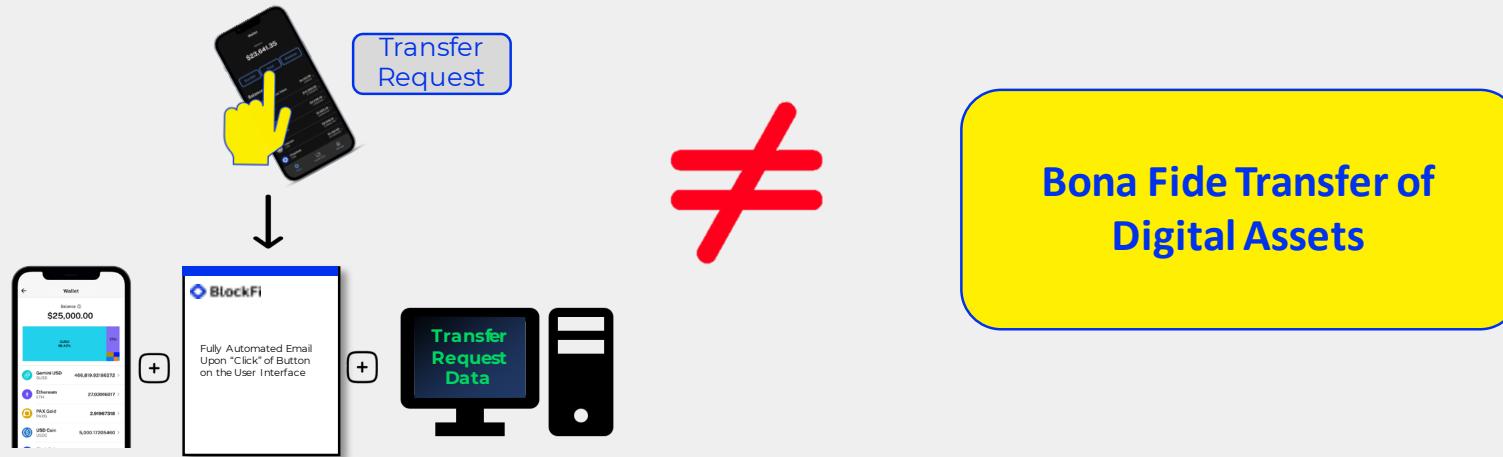
Coin Balances



Case 22-19361-MRK Doc 141816 Filed 09/11/23 Entered 09/11/23 16:04:03 Desc
Exhibit E to Malone Declaration Page 57 of 64

The Troutman Ad Hoc Committee Argues that a “Click” on the User Interface Creates an Ownership Interest of the Digital Assets Held in the Custodial Omnibus Wallets⁽¹⁾

This is not, and cannot be, the case.



The Wallet Withdrawal Objection



BlockFi Wallet

Notional Value of Custodial Omnibus Wallets as of the Platform Pause Time Stamp ⁽¹⁾	\$296,950,551.82 ⁽¹⁾
--	---------------------------------

The Troutman Ad Hoc Committee

Asks that **~\$375 million⁽²⁾ of Requested BIA to Wallet Transfers by 48,185 clients after the Platform Pause Time Stamp should also be entitled to recovery from the digital assets in the Custodial Omnibus Wallets**

Cheela Decl. ¶ 81.

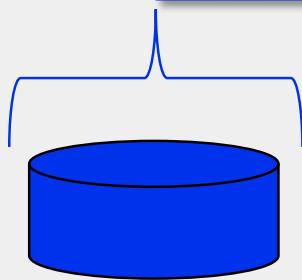
See Troutman Ad Hoc Committee Response [Docket No. 834], ¶¶ 9, 23.

(1) Price conversion using digital asset prices as of 11:59 UTC on November 28, 2022.

(2) Price conversion using digital asset prices as of 01:15 UTC on November 11, 2022.

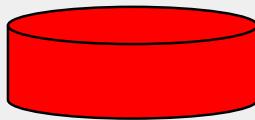
The Current State of Affairs

Title to assets contained in the Custodial Omnibus Wallets belongs only to those clients with holdings represented in the Custodial Omnibus Wallets as of the Platform Pause Time Stamp. Those clients own the digital assets in the Custodial Omnibus Wallets—not BlockFi **or anyone else**.



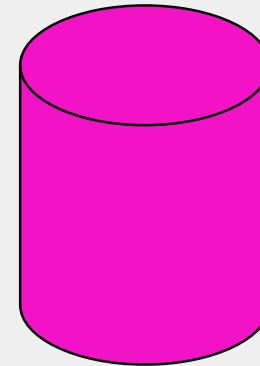
**Custodial
Wallet Assets**

\$297 million⁽¹⁾



Wallet Claims

\$297 million⁽¹⁾



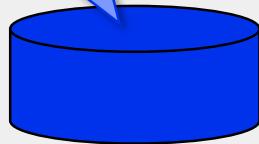
BIA Claims

\$1.2 billion⁽¹⁾

(1) Price conversion using digital asset prices as of 11:59 UTC on November 28, 2022.

The Current State of Affairs

Digital Assets in the Custodial Wallet Accounts owned by BlockFi clients who held digital assets in the Custodial Omnibus Wallets as of the Platform Pause Time Stamp.



Custodial Wallet Assets

\$297 million⁽¹⁾

Clients who had title to digital assets in the Custodial Omnibus Wallets **as of** the Platform Pause Time Stamp.



Wallet Claims

\$297 million⁽¹⁾

Includes clients with BIA holdings as of the Platform Pause Time Stamp who requested to move to Wallet **after** the Platform Pause Time Stamp.



BIA Claims

\$1.2 billion⁽¹⁾

(1) Price conversion using digital asset prices as of 11:59 UTC on November 28, 2022.

Troutman Ad Hoc Committee Requests to Dilute Recoveries for Clients who Had Digital Assets in BlockFi Wallet as of the Platform Pause



(1) Price conversion using digital asset prices as of 1159 UTC on November 28, 2022.

(2) Price conversion using digital asset prices as of 01:15 UTC on November 11, 2022.

(3) For demonstrative purposes; the Debtors make no waivers or admissions and reserve all rights.

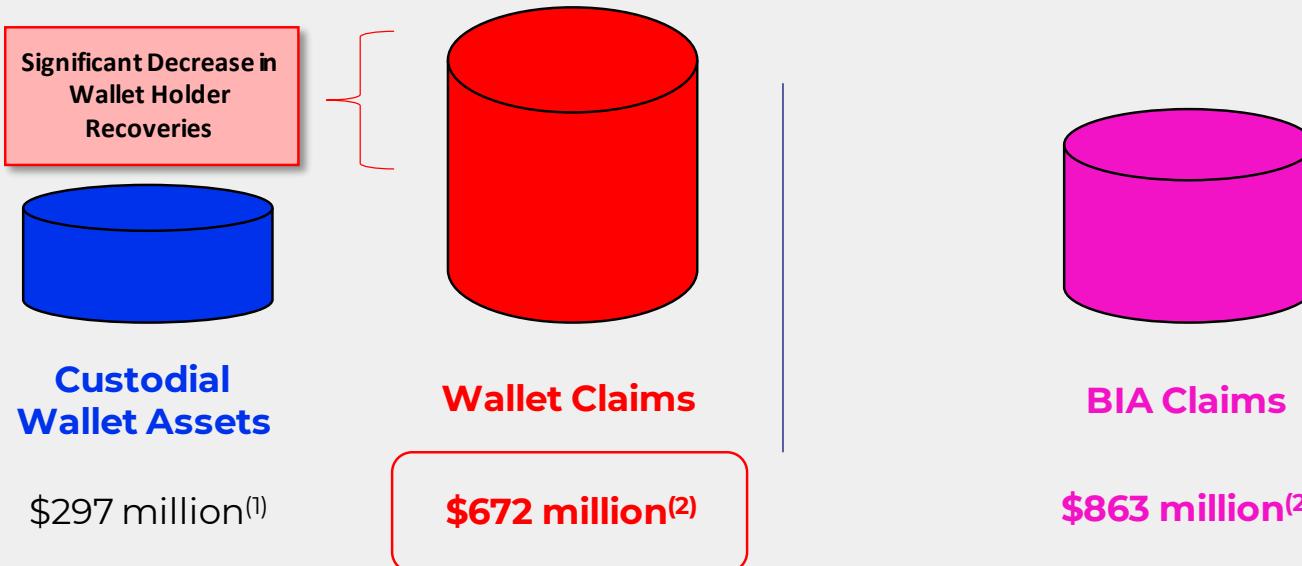
Troutman Ad Hoc Committee Requests to Dilute Recoveries for Clients who Had Digital Assets in BlockFi Wallet as of the Platform Pause



(1) Price conversion using digital asset prices as of 11:59 UTC on November 28, 2022.

(2) For demonstrative purposes; the Debtors make no waivers or admissions and reserve all rights.

Troutman Ad Hoc Committee Requests to Dilute Recoveries for Clients who Had Digital Assets in BlockFi Wallet as of the Platform Pause



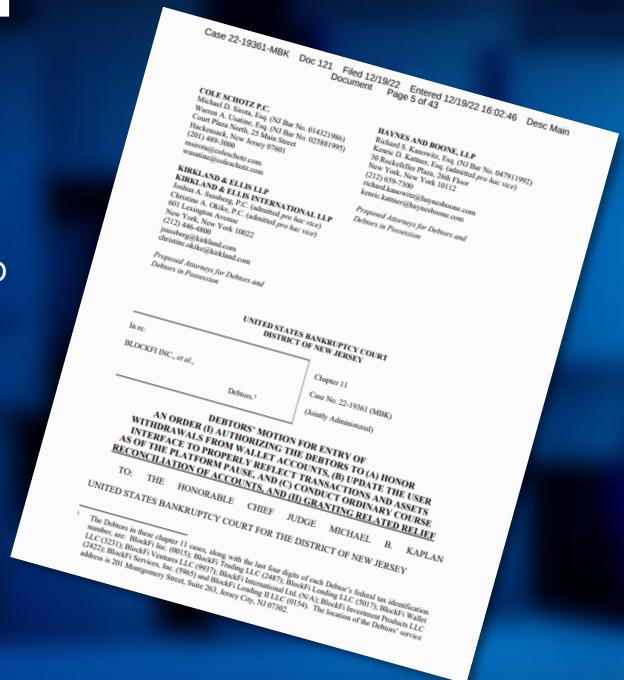
(1) Price conversion using digital asset prices as of 11:59 UTC on November 28, 2022.

(2) For demonstrative purposes; the Debtors make no waivers or admissions and reserve all rights.

The Wallet Withdrawal Motion

The Debtors seek to do right by their clients:

- ✓ **Honor client withdrawals** from Client Wallet Accounts as of the Platform Pause Time Stamp and **return the crypto in Omnibus Wallet Accounts to clients promptly**; and
- ✓ **Update the User Interface** to reflect proper accounting of digital assets as of the Platform Pause Time Stamp.



See Cheela Decl. 80.